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CIA-RDP79T00975A029200010012-4

**Top Secret**

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday August 7, 1976 CI NIDC 76-185C

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**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, August 7, 1976

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

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[ ] The cease-fire was violated throughout most areas of the country yesterday, and the Arab League has no immediate plans to position its forces in accordance with the agreement signed in Damascus a week ago.

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[ ] An attempt to evacuate more of the wounded from the Tall Zatar refugee camp ended abruptly yesterday when several hundred inhabitants tried to force their way into the Red Cross vehicles in order to flee the camp. The pro-Christian radio charges that Palestinian leaders in the camp allow only Palestinians to leave, while forcing Lebanese to stay behind. The charges suggest the Christians may refuse further evacuations; the Red Cross as of yesterday was planning no additional attempts.

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[ ] The Christians seem to have eliminated all significant resistance in Nabaa except in the far eastern part of the enclave. Clashes and exchanges of heavy artillery fire continued in the traditional confrontation areas of Beirut and its suburbs.

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[ ] Christians who fled the Jazzin area following the Syrian withdrawal from Sidon two weeks ago are moving back into their villages, with some support from Syrian artillery.

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[ ] A Syrian-Palestinian-Lebanese truce committee meeting scheduled for Sawfar yesterday has been postponed for the second day in a row; [ ]

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SYRIA: Asad's Difficulties


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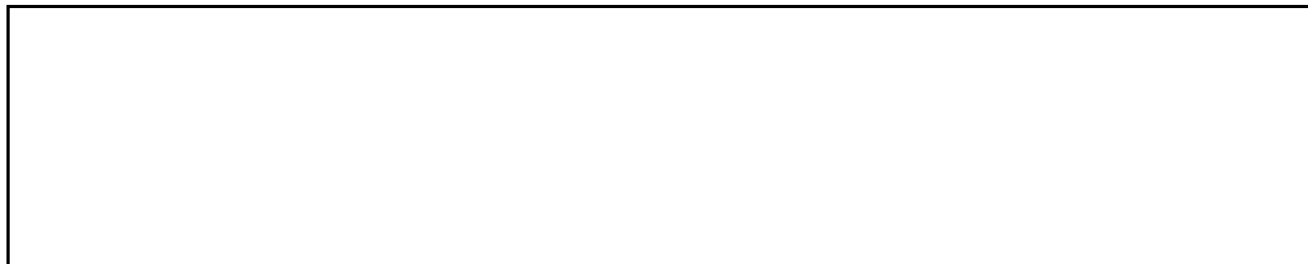
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 Pressure on Asad to alter his Lebanon policy has increased recently with reported Soviet threats to impose sanctions on Damascus, an increased flow of arms to Palestinian forces, more explicit Libyan support for the Palestinians, and new signs of unrest in Syria. Two bombings occurred in Damascus early yesterday morning, and there have been bombings or political assassinations in three major cities within the past month.

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 A week-long delay in the announcement of a new Syrian cabinet, although possibly the result of other political considerations, may be related to differences within the regime over Syria's Lebanon policy. The governing bodies of the Syrian Baath Party were to approve the new cabinet this week, but they almost certainly became involved in discussions about the foreign and domestic problems created by Syria's involvement in the Lebanese crisis.

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[ ] Although we do not expect Asad to reverse his policy in Lebanon, the increasing pressures he has faced probably were partly responsible for his decision to reduce, at least temporarily, Syrian military pressure on the Palestinians and Lebanese leftists in the Sidon area of southern Lebanon. Syrian forces late last month withdrew from Sidon to Jazzin.

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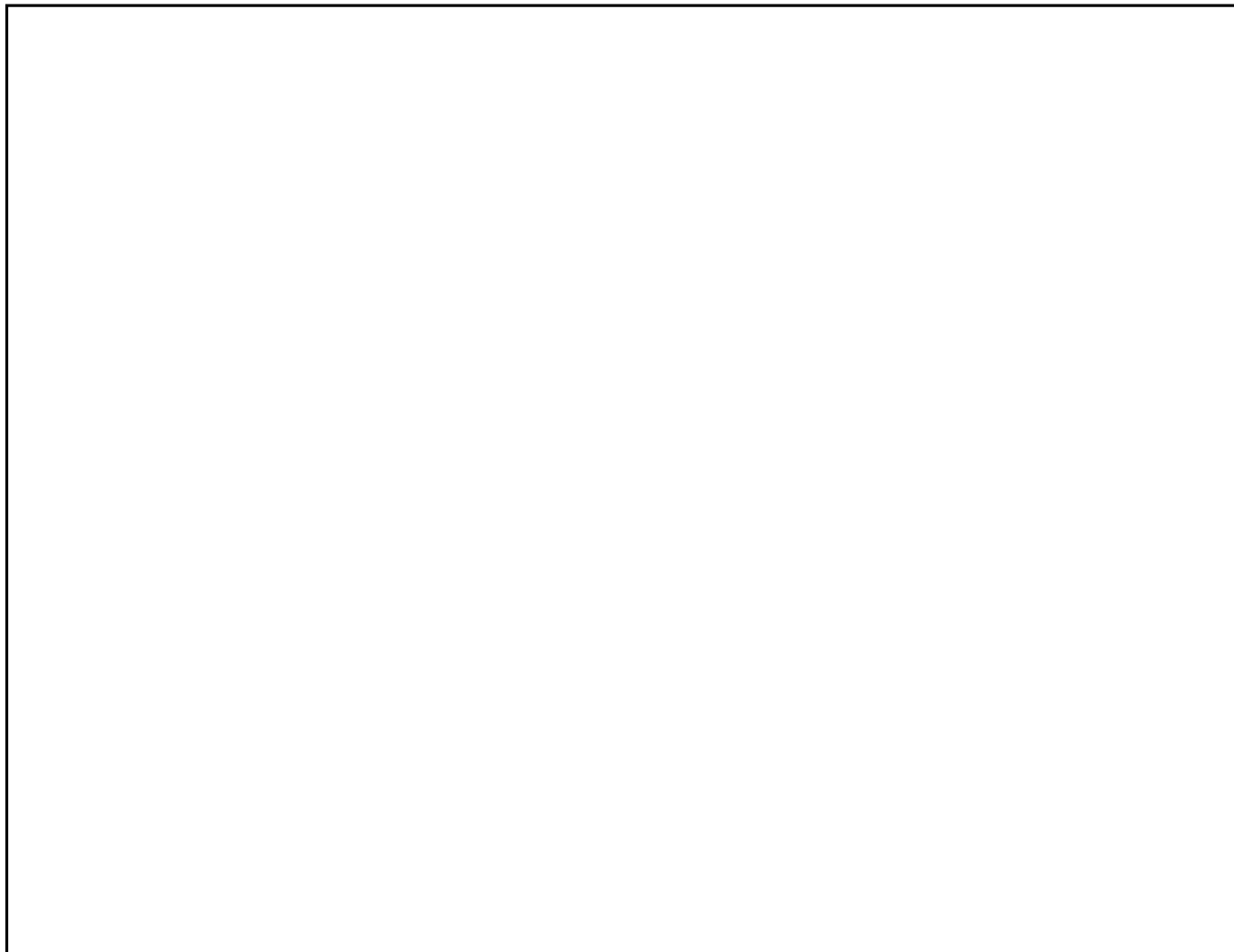
[ ] This withdrawal helped reduce Arab criticism of Asad, facilitated the negotiation of the Syrian-Palestinian agreement July 29, and led to a reduction of fighting this week. It also permitted large-scale resupply of Palestinian forces through the port of Sidon, however, and is therefore likely to prolong the fighting even if the Syrians succeed in efforts to create a new Christian force in the area strong enough to retake former Syrian positions.

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[ ] the Syrians have already concluded that they made a mistake in withdrawing from Sidon. Most Syrian leaders believe the Palestinians are only stalling for time while seeking further external support. Many presumably are concerned that Damascus may once again have eased up in applying a potentially successful strategy just before it had achieved victory. [ ]

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ITALY: Confidence Vote

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[ ] Italian Prime Minister Andreotti's Christian Democratic minority government won a vote of confidence in the senate yesterday.

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[ ] The abstention of Communist Party legislators virtually assures that the Chamber of Deputies will follow suit when it votes on a confidence motion early next week.

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[ ] The Communists made it clear in the senate debate that they are not giving Andreotti a "mandate" and that they view his government merely as an "intermediate phase." The statement is probably designed in part to reassure the Communist rank and file that the party has not sold out to the Christian Democrats. The Communists appear to be signaling that their cooperation is only temporary and that they will demand further concessions as the price for continued support.

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[ ] The Communists scored an important success in local politics, gaining a place in Rome's municipal government for the first time. The capital has been without a government since June, when the municipal election made the Communist Party the largest in the city but failed to produce a majority for the left as a whole. The Christian Democrats and their customary allies in the city government also fell short of a majority.

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[ ] The city's Communists, Socialists, and Social Democrats agreed this week to form a leftist administration that will rely for its majority on abstention in the city council by the small Republican Party. The council will probably elect a mayor on Monday, and the post is reportedly slated to go to a Communist.

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[ ] When the Roman administration is installed, the Communists will be participating in the governments of eight of Italy's ten largest cities. The Communists won governing roles in Milan, Turin, Venice, and Naples after the municipal elections of June 1975. [ ]

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FRANCE: Franc Falls

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[ ] The French franc closed yesterday at 4.985 to the dollar, its lowest rate since early 1974. The franc has fallen 1.3 percent against the dollar in a week and nearly 9.5 percent since it left the European joint float in March of this year.

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[ ] The franc's decline over the last few weeks has generally been attributed to the fact that France has a higher inflation rate than do its trading partners and to the adverse effect the European drought is likely to have on the French trade balance.

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[ ] Until recently, the lack of bank intervention suggested that Paris viewed the currency's latest shift as a true reflection of the French economy's strength. However, officials are now raising interest rates to slow the fall of the franc. Market sources noted that the franc's decline is now approaching the same range of depreciation that the British and Italian currencies experienced earlier this year.

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#### BRAZIL: Japanese Investment

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[ ] Japanese Minister of International Trade and Industry Komoto has claimed that Japanese foreign direct investment in Brazil could reach \$2 billion annually--20 percent of Japan's total--during the next decade.

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[ ] Japan's largest foreign direct investment project will be the \$2 billion Albras aluminum-hydroelectric project in Brazil's Amazon Basin. Komoto apparently gave the go-ahead for the project during his visit to Brazil this month. Former prime minister Tanaka had approved the project during a visit in 1974. Details will be worked out during President Geisel's visit to Tokyo in September.

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[ ] The project, which will cost \$1.4 billion and take nearly a decade to complete, provides for construction of a 640,000-ton-capacity alumina refinery and a 320,000-ton aluminum smelter. It will more than double Brazil's aluminum output.

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[ ] Five Japanese firms are slated to share 49 percent of the equity and one half of the aluminum output; the majority share will be held by Brazil's state-owned Companhia Vale do Rio Doce. A \$400 million hydroelectric power plant to supply electricity for the project will also be built. Financing arrangements remain to be worked out.

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[ ] The venture will purchase 1.4 million tons of bauxite a year from the Amazon's Trombetas deposits. Brazil and an international consortium, led by Alcan, began development of these deposits in April on a joint venture basis. Brazil earlier indicated that the project's capacity, which is likely to reach 3.4 million tons in 1980 and will make Brazil a major producer of bauxite, would be boosted if the aluminum agreement with Japan is formalized.

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[ ] Brazil wants to attract additional foreign investment to help reduce persistent balance-of-payments deficits and restore its rapid economic growth. In turn, Japan is anxious to expand its ownership position in major raw material producing nations. Japan's overseas holdings now account for about 15 percent of the 400,000 tons of aluminum it imports annually.

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[ ] Brazil already ranks as the second largest recipient (after the US) of Japanese foreign direct investment. Expanding from \$125 million in 1971 to more than \$1 billion currently, Japanese investment in Brazil is concentrated in the steel, automobile, and shipbuilding industries.

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[ ] During Komoto's visit, the two countries agreed to begin construction of a high-speed railroad linking Rio de Janeiro with Sao Paulo. Negotiations on other projects, including a joint-venture steel mill and agricultural and iron ore development, probably will be on Geisel's agenda in September. [ ]

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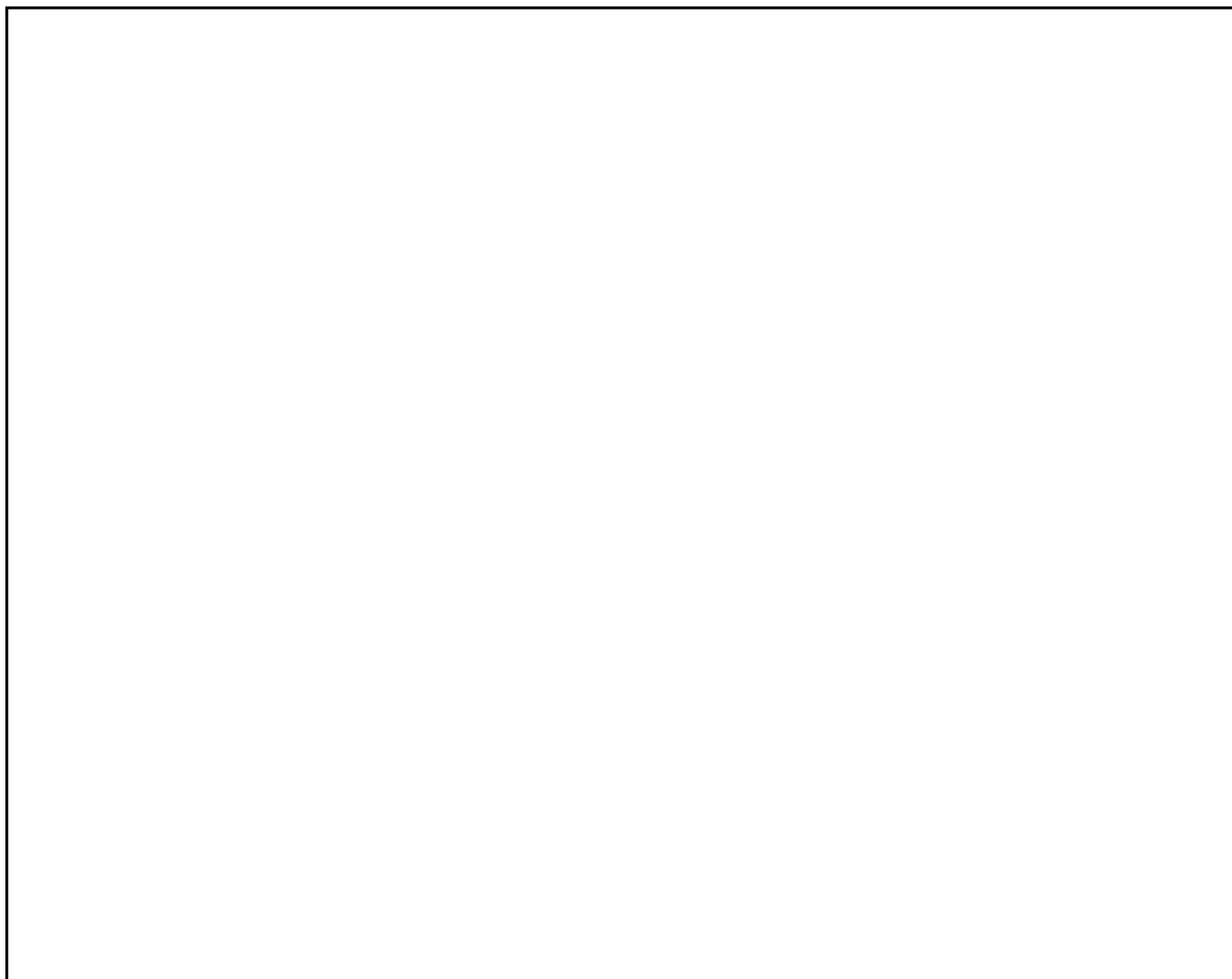
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KENYA-UGANDA: Tentative Agreement

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[REDACTED] Kenya and Uganda reached a preliminary agreement yesterday to end their dispute.

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[REDACTED] After three days of talks in Nairobi, delegates of the two countries signed a communique that largely satisfies Kenya's conditions for improving relations. The accord is subject to ratification by presidents Kenyatta and Amin.

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25X1 [ ] The two sides agreed to withdraw troops from the border, halt threats of force, and cease propaganda attacks.

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25X1 [ ] The agreement provides guarantees for an end to the killing and harassment of Kenyans in Uganda and compensation for Kenyan property seized by Uganda. The Ugandan government recognized a general obligation to pay its debts, and a special committee will be established to satisfy Kenyan claims.

25X1 [ ] The communique calls for a free flow of traffic between the two countries. This would appear to require Kenya eventually to end its restrictions on deliveries of fuel to Uganda and apparently obligates Uganda to stop confiscating goods bound from Kenya to other African countries.

25X1 [ ] Kenya's demand that Amin drop claims to Kenyan territory was not specifically mentioned in the communique, but the Kenyans may believe that this demand was satisfied by the agreement's call for an end to hostile propaganda. [ ]

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SOUTH AFRICA: Student Rioting

25X1 [ ] Student rioting continued in Soweto yesterday, but the South African police regained sufficient control to enable residents of the black township to resume commuting to jobs in Johannesburg. On Wednesday, the first major violence in Soweto since the riots in June imposed an almost total work stoppage on the black township's 200,000 industrial workers.

25X1 [ ] Students tried to continue intimidation tactics on the following days, but train and bus service was near normal by yesterday morning. It appeared that a large majority of workers from Soweto were returning to their jobs. Students trying to march into Johannesburg were turned back by police.

25X1 [ ] Student attempts to intimidate commuters in other black townships around Johannesburg reportedly have been squelched without serious violence.

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25X1 [ ] The three days of rioting this week caused seven known deaths, compared with 176 in the June riots. The lower casualty figures resulted partly from the more restricted area of the rioting but also from greater restraint by the police.

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25X1 [ ] Militants among Soweto students appear determined to continue their agitation and more violence is likely. [ ]

VIETNAM-THAILAND: Phichai's Visit Ends

25X1 [ ] Thai Foreign Minister Phichai concluded his visit to Hanoi yesterday with the announcement that diplomatic relations had been established between the two countries.

25X1 [ ] The communique on diplomatic recognition essentially follows the four-point formulation Vietnam used with the Philippines.

--Peaceful coexistence.

--No bases to be used by foreign powers against the other party.

--Resolution of all conflict through negotiations.

--Promotion of regional cooperation in the "interests of independence and neutrality."

25X1 [ ] In a separate communique, both sides also agreed to overflight rights of commercial aircraft, and to future discussions on economic cooperation.

25X1 [ ] Thailand was the last of Vietnam's Southeast Asian neighbors to normalize relations. Two issues that were significant roadblocks in the past--the return of Vietnamese refugees living in Thailand since the end of the French Indochina war and the return of South Vietnamese aircraft flown to Thailand at the end of the war last year--were apparently set aside.

25X1 [ ] The two parties did agree to further discussions on both issues, an obvious finesse that should please the

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Thai. Hanoi has consistently resisted Thai pressure to repatriate the Vietnamese families in Thailand. [REDACTED] 25X1

25X1 [REDACTED]  
25X1 [REDACTED] In a press conference following his return to Bangkok, Phichai stated that the aircraft issue was a problem to be resolved between the "two parties (Vietnam and the US) who claim ownership of the aircraft."

25X1 [REDACTED] Hanoi may have concluded that its interests were better served by promoting an image of reasonableness, with an eye on the coming nonaligned summit and the UN contest this fall.

25X1 [REDACTED] En route to Hanoi, Phichai held talks with the Lao communist leaders. The Thai agreed to consider reopening the border at several points in exchange for the release of Thai prisoners still held by the Lao. [REDACTED] 25X1

#### CANADA: Unions Call Strike

25X1 [REDACTED] The 2.3-million member Canadian Labor Congress has decided to call a one-day general strike to protest the Trudeau government's wage- and price-control program.

25X1 [REDACTED] The labor organization's executive committee will meet next Thursday to set the date for the "national day of protest." The strike could come on October 13, the first anniversary of the controls program.

25X1 [REDACTED] The union announcement followed talks between Prime Minister Trudeau and labor leaders. In comments to the press after the meeting, Trudeau gave no indication he would abandon his wage and price controls. [REDACTED] 25X1

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